

Message Text

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15

ACTION TRSE-00

INFO OCT-01 AF-06 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 PA-02 USIA-15 PRS-01 IO-10 /116 W

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P R 190921Z MAR 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC PRIORITY 1532

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

US MISSION GENEVA 0322

AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

UNCLAS PRETORIA 0967

CAPE TOWN FOR EMBASSY

PARIS ALSO FOR OECD

GENEVA ALSO FOR US DEL MTN

E.O. 11652: N/A

TAGS: EFIN, SF

SUBJECT: STATEMENTS ON REVALUATION OF GOLD HOLDINGS

REF: (A) STATE 60718 (B) PRETORIA A-24

1. AS REPORTED REF (B), SAG HAS ANNOUNCED ITS INTENTION TO STUDY
POSSIBILITY OF REVALUING GOLD HOLDINGS.

2. STATEMENT WAS MADE BY MINISTER OF FINANCE IN ASSEMBLY
FEBRUARY 17 AS PART OF BRIEF GENERAL REVIEW OF ECONOMY. TEXT
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OF RELEVANT PART QUOTED BELOW.

3. QTE. THERE HAVE BEEN A NUMBER OF INTERESTING DEVELOPMENTS AFFECTING GOLD IN RECENT MONTHS, AND I SHOULD LIKE TO REFER TO SOME OF THEM HERE.

THE FIRST WAS THE GERMAN LOAN TO ITALY AGAINST THE SECURITY OF GOLD, VALUED FOR THIS PURPOSE AT APPROXIMATELY \$120 PER FINE OUNCE. THIS WAS PERHAPS THE FIRST OPEN BREACH IN THE OUT-DATED FICTION THAT OFFICIAL GOLD RESERVES MUST BE VALUED AT THE OLD OFFICIAL PRICE OF \$42.22

THE SECOND WAS THE AGREEMENT BETWEEN PRESIDENTS FORD AND GISCARD D'ESTAING AT MARTINIQUE THAT GOLD RESERVES COULD BE REVALUED AT A PRICE NEARER THE PRICE ON THE PRIVATE MARKET, WHICH WAS FOLLOWED SHORTLY BY THE ACTUAL REVALUATION OF FRANCE'S GOLD RESERVE AT A FIGURE OF APPROXIMATELY \$170 PER OUNCE. THIS, I THINK, FINALLY DESTROYED THE MYTH OF THE OLD OFFICIAL GOLD PRICE

OF \$42.22.

THE QUESTION MAY BE ASKED: IS SOUTH AFRICA GOING TO FOLLOW SUIT AND REVALUE ITS GOLD RESERVE? IT FOLLOWS FROM WHAT I HAVE SAID THAT SUCH A STEP MAY BE REGARDED AS LOGICAL AND REALISTIC. THERE ARE, HOWEVER, CERTAIN ASPECTS OF SUCH A MOVE WHICH REQUIRE URGENCY FOR US TO TAKE A DECISION, WE ARE GOING INTO THE POSITION CAREFULLY.

THE THIRD DEVELOPMENT TO WHICH I WISH TO REFER IS THE RE-OPENING OF THE AMERICAN GOLD MARKET AT THE END OF LAST YEAR AND THE AUCTION OF A SMALL PORTION OF THE AMERICAN GOLD RESERVE LAST MONTH. THERE IS NO DOUBT THAT THE INITIAL DEMAND FOR GOLD IN AMERICA HAS NOT COME UP TO THE EXPECTATIONS OF SOME OF THE MORE ENTHUSIASTIC SUPPORTERS OF GOLD IN THAT COUNTRY. THIS IS NOT ALTOGETHER SURPRISING IN VIEW OF THE LACK OF A GOLD-HOLDING TRADITION AMONG AMERICANS, THE LONGSTANDING ANTI-GOLD CAMPAIGN AND THE DECISION OF SOME OF THE PRINCIPAL AMERICAN BANKS NOT TO TAKE PART IN THE GOLD TRADE.

MY OWN VIEW IS, HOWEVER, THAT EVENTUALLY A STEADY DEMAND FOR GOLD WILL BUILD UP IN AMERICA, WHICH MUST BE A POSITIVE FACTOR FOR GOLD. THE GOLD MARKET HAS SEEN MANY FLUCTUATIONS OVER THE PAST FEW YEARS, BUT THE LONG-TERM TREND HAS BEEN STRONGLY UPWARDS, AND WITH THE CONTINUATION OF INFLATION AND CURRENCY UNCERTAINTIES I BELIEVE THAT THIS TREND WILL PERSIST. UNQTE.

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